



DEPARTMENT OF THE AIR FORCE  
HEADQUARTERS UNITED STATES AIR FORCE  
WASHINGTON 25, D. C.

*TM-512 Aug. 1960*

DPD-7997-60

#713

REPLY TO:  
Auditor General  
Comptroller, USAF  
Eastern District  
Liaison Office  
P. O. Box 8155, S.W. Station  
Washington, D. C.

7 November 1960

SUBJECT: Report on Review of Proposed Fixed Hourly Rates  
and Pricing Formula  
Granger Associates, Palo Alto, California  
Contract Nos. TM-512 and CT-511  
Period: 1 July through 31 December 1960

*Amended 3  
+ TM-512*

TO : Contracting Officer

1. In accordance with oral request a review has been made of the contractor's proposals dated 31 October 1960 for: (1) fixed hourly rates under Contract TM-512 (DPD-8168-60), and (2) pricing formula under Contract CT-511 (DPD-8167-60). These proposals are to apply during the subject period.

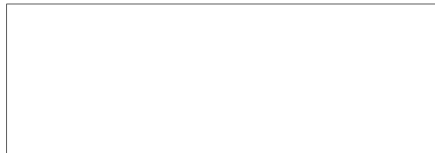
2. Results of Review: The rates and formula proposed by the contractor are considered acceptable.

3. The reason for the increase in rates proposed for this period over the prior six months period is mainly due to a substantial increase in the contractor's overhead rates. Granger Associates is a small concern with annual sales totalling \$1.2 million. Its volume of business is not very well stabilized and fluctuates widely between semi-annual periods. This causes variations between periods in overhead rates which, under the circumstances, cannot be forecasted with a reasonable degree of accuracy very far in advance. For example, during the six months period ended 30 June 1960 when the fixed hourly billing rates under Contract TM-512 included overhead of 85% and G & A of 16%, the actual book rates experienced by the contractor for the period were 129.4% and 16.6% respectively. For the two months ended 31 August 1960, which fall within the current period, the experienced book rates were 127.6% for overhead and 18.6% for G & A.

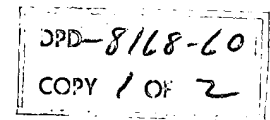
The outlook for the first half of 1961 is somewhat brighter insofar as anticipated overhead rates are concerned as the contractor has reason to expect a larger volume of Government contracts and a resulting decline in overhead rates.

4. Audit cognizance of Granger Associates was transferred from the Navy to the Air Force (Oakland Branch, Office, Auditor General, USAF) in May 1960.

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Audit Liaison Officer  
Eastern District  
Auditor General

**ELECTRONIC SYSTEMS**

974 Commercial Street  
Palo Alto, California  
DAvenport 1-4175

October 31, 1960

REGISTERED - RETURN RECEIPT REQUESTED

STAT

TO:

Contracting Officer

Subject:

Contract TM-512  
Part IV - Repricing

Gentlemen:

Because of changes in our Burden and G&A rates, as well as minor changes in a few labor rates, we have reviewed the pricing formula as set forth in subject contract. In accordance with Part IV - Repricing, we propose new Time and Materials rates to cover the period 1 July 1960 through 31 December 1960.

The Time and Materials rates for Technical Personnel are as shown on the attached schedule #1, and include the following:

Burden	125%
G&A	18%
Profit	10%

All other terms and conditions of the contract remain unchanged.

We hope that this proposal will meet with your approval, and that a formal amendment reflecting these changes may be issued. If any further information is required, please do not hesitate to let us know.

Very truly yours,

Vice President and  
Treasurer

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RJH:jb

Attach: Schedule #1

Contract TM-512

*APPENDIX II*~~SCHEDULE #1~~**GRANGER ASSOCIATES**  
Palo Alto, CaliforniaJuly 1, 1960*Constant Hourly Rates  
for the Period*~~TIME AND MATERIAL RATES - TECHNICAL PERSONNEL~~*1 July 1960 - 31 December 1960*

<u>CLASSIFICATION</u>	<u>HOURLY RATE</u>
Supervisory Engineer I	\$27.02
Supervisory Engineer II	21.91
Project Engineer	18.37
Senior Engineer	15.19
Engineer	11.83
Junior Engineer	9.93
Production Engineer	16.89
Electronic Technician I	10.75
Electronic Technician II	7.59
Mechanical Technician I	10.75
Mechanical Technician II	7.59
Welder - Machinist	9.93
Draftsman	8.48
Designer	11.24
Senior Designer	13.53
Assembler	6.51
Secretary	6.42
Inspector	10.75
Production Project Manager	9.93

~~Labor Rates Include:~~*G & A Expense*~~1) Mfg. Burden @ 125%~~~~2) G & A @ 18%~~~~3) Profit @ 10%~~*1890*

10/31/60